



## U.S.-African Trade Profile

<i>U.S. Trade with Sub-Saharan Africa</i> (\$ Millions)				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<i>U.S. Exports</i>	6,941.8	6,026.1	6,870.9	8,565.7
<i>U.S. Imports</i>	21,286.8	17,891.4	25,633.3	35,874.9

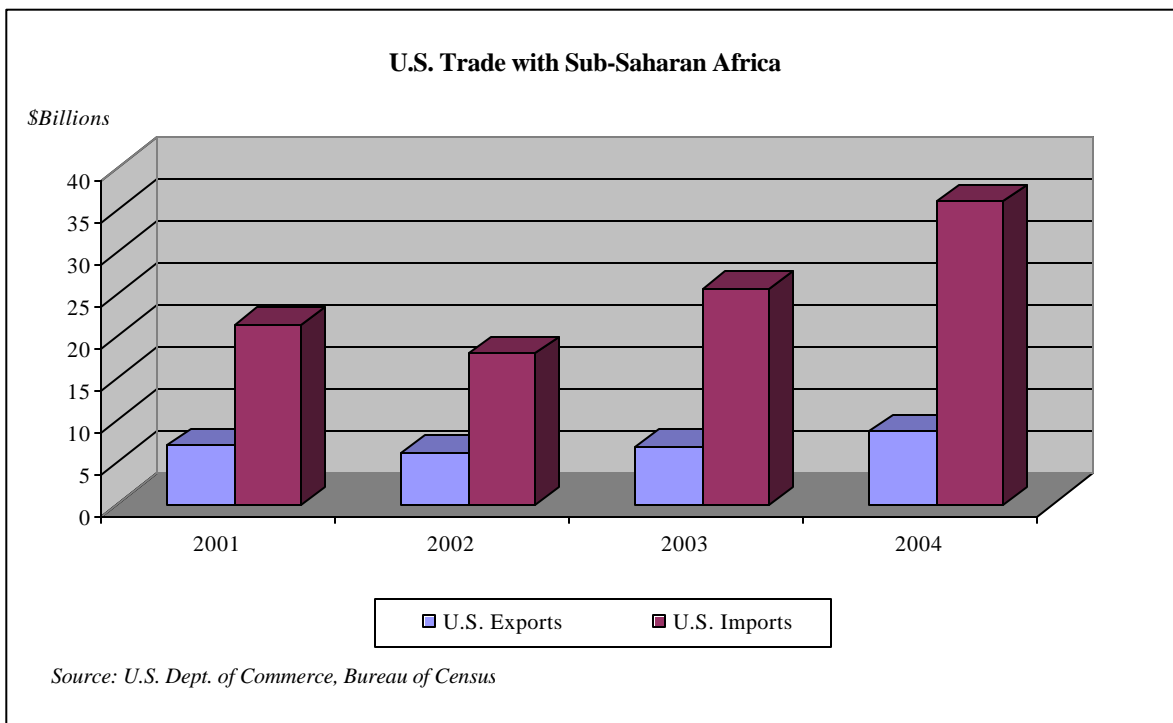
*Source: U.S. Dept. of Commerce, Bureau of Census*

Two-way trade between the United States and Sub-Saharan Africa rose in 2004, as both exports and imports increased. Two-way trade increased 37 percent from a year earlier to \$44.4 billion. U.S. exports to Sub-Saharan Africa rose 25 percent to \$8.6 billion, due to increased sales of oil field equipment and parts, aircraft, wheat, vehicles, and electrical machinery (including telecommunications equipment). U.S. imports rose 40 percent from 2003 to \$35.9 billion, due to increased imports of crude oil (mainly driven by an increase in oil prices) as well as increased imports of platinum, diamonds, woven and knit apparel, and ferroalloys. Trade between the United States and Sub-Saharan Africa is highly concentrated, with a small number of African countries accounting for an overwhelming share of the total for both imports and exports.

- U.S. exports to South Africa grew by 13 percent, to Nigeria by 53 percent, to Angola by 21 percent, to Ethiopia by 12 percent, and Kenya by 100 percent. Aircraft sales to Kenya caused the large increase.
- U.S. imports increased from all of the oil producing countries with imports from Nigeria growing by 56 percent, from Angola by six percent, from Gabon by 25 percent, from Equatorial Guinea by 30 percent, and from the Republic of Congo by 98 percent. Imports from Chad increased at a very high rate resulting from the start of oil shipments through the Chad-Cameroon pipeline late last year. Imports from South Africa increased by 29 percent, with continued growth in imports of platinum, diamonds, ferroalloys, and vehicles and parts.



- In 2004, African Growth and Opportunity Act (AGOA) imports increased 88 percent to \$26.6 billion.<sup>1</sup> This figure includes duty-free imports from AGOA-eligible countries under both the pre-existing U.S. Generalized System of Preferences (GSP) and the expanded AGOA GSP, plus textile and apparel imported duty-free and quota-free under AGOA provisions. Note that this total also includes an additional \$4.3 billion in imports from Angola, which only received AGOA benefits at the beginning of the year. Excluding Angola, AGOA imports increased 58 percent in 2004.



- Petroleum products continued to account for the largest portion of total AGOA imports with an 87 percent share. With these fuel products excluded, AGOA imports were \$3.5 billion, growing by 22 percent in 2004. AGOA textile and apparel imports increased 35 percent to \$1.6 billion and AGOA minerals and metals imports increased 76 percent to \$728.1 million. However, AGOA transportation equipment imports declined by 26 percent to \$539.2 million, due to a decline in AGOA transportation equipment imports from South Africa.
- The top five AGOA beneficiary countries included Nigeria, Angola, Gabon, South Africa, and Chad. While Lesotho was the fourth largest AGOA beneficiary in 2003, AGOA imports from Angola (a new AGOA beneficiary country) and Chad (a new oil producer) in 2004 surpassed those from Lesotho. Several other countries ended the

<sup>1</sup> Note that AGOA imports are imports for consumption, while all other import figures are general imports. Imports for consumption include only those goods as they enter the U.S. economy for consumption. General imports include all goods as they cross the U.S. border, including those destined for bonded warehouses or foreign trade zones.

year with large increases in AGOA imports including Madagascar, Kenya, Cameroon, Swaziland, Namibia, and Côte d'Ivoire.

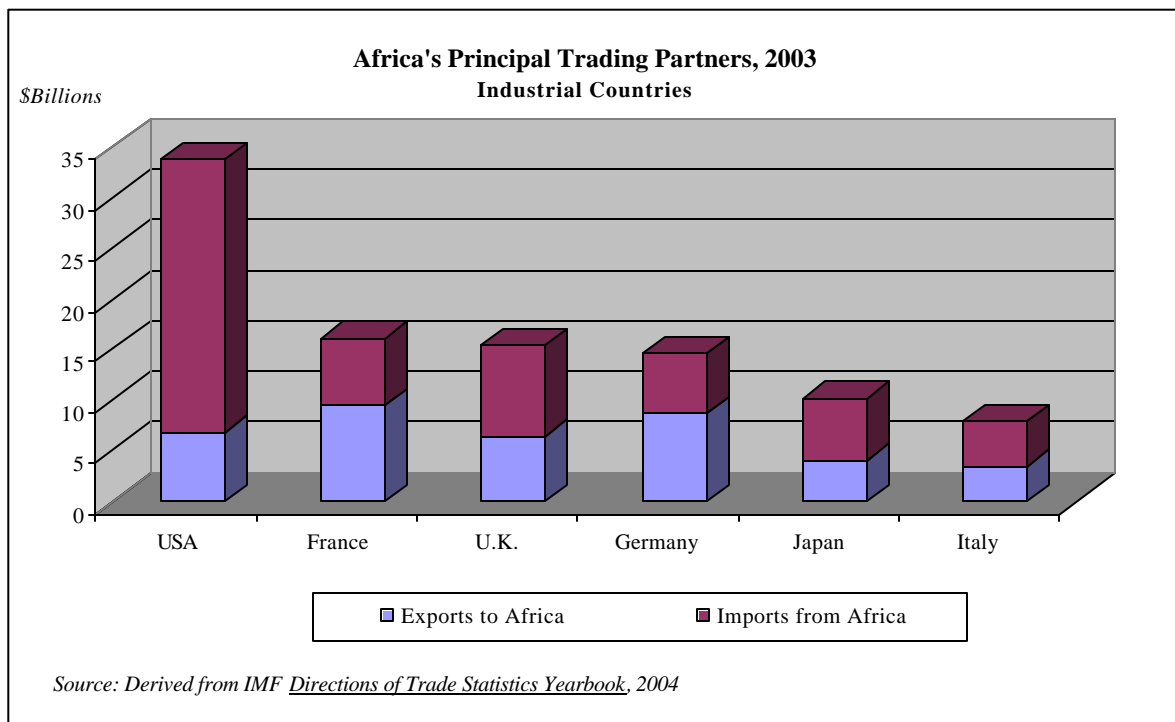
- The U.S. merchandise trade deficit with Sub-Saharan Africa widened in 2004 to \$27.3 billion, from \$18.8 billion in 2003. Nigeria, Angola, Gabon, and South Africa accounted for 87 percent of the U.S. trade deficit with Sub-Saharan Africa in 2004.

### **Africa's Global Trade**

Sub-Saharan Africa's total merchandise imports increased sharply in 2003 (the latest year available), growing 29.5 percent to \$112.4 billion, compared to just 5.1 percent growth in 2002. South Africa and Nigeria accounted for 43.7 percent of Sub-Saharan Africa's total imports. In 2003, South Africa's imports increased by 27.6 percent to \$34.2 billion, and Nigeria's imports increased by an impressive 70.2 percent to \$14.9 billion.

Sub-Saharan Africa's total merchandise exports were \$111.3 billion in 2003, a 21.1 percent increase, compared to just a 3.8 percent increase in 2002. In 2003, South Africa and Nigeria accounted for 53.5 percent of Sub-Saharan Africa's total exports. South Africa's exports grew by 19.8 percent to \$35.5 billion and Nigeria's exports grew by 31.2 percent to \$24.1 billion.

Sub-Saharan Africa's 21.1 percent increase in exports outpaced both the 16.4 percent increase in total world exports in 2003 and the 19.7 percent increase in developing country exports. Sub-Saharan Africa, however, accounted for only 1.5 percent of world trade in 2003, virtually unchanged from 2002. Africa's share of world trade will need to increase before it can take more advantage of any benefits of the increasingly integrated global economy.



### **Shares of Africa's Import and Export Markets**

Sub-Saharan Africa accounts for less than one percent of U.S. merchandise exports, and slightly more than two percent of U.S. merchandise imports, of which 70.8 percent is petroleum products. Proportions are similar for Sub-Saharan African trade with the European Union. The United States is Africa's largest single country market, purchasing 24.3 percent of the region's exports in 2003. The United Kingdom came in a distant second at 8.2 percent, and France was third at 6.1 percent. The EU purchased 39.1 percent of Sub-Saharan Africa's exports, down from 42.4 percent in 2002.

<i>Sub-Saharan Africa's Principal Industrial Country Trading Partners</i> (\$ Billions and Market Share)				
	<u>2002</u>	<u>% Share</u>	<u>2003</u>	<u>% Share</u>
<u>Sub-Saharan Africa's Imports</u>				
<i>France</i>	8.2	9.4%	9.5	8.4%
<i>Germany</i>	7.3	8.4%	8.7	7.8%
<i>United States</i>	6.0	6.9%	6.8	6.1%
<i>United Kingdom</i>	5.3	6.1%	6.4	5.7%
<i>Japan</i>	3.6	4.2%	4.0	3.6%
<i>Italy</i>	3.1	3.5%	3.5	3.1%
<i>Total EU</i>	33.5	38.6%	40.7	36.2%
<u>Sub-Saharan Africa's Exports</u>				
<i>United States</i>	18.8	20.4%	27.0	24.3%
<i>United Kingdom</i>	8.1	8.8%	9.1	8.2%
<i>France</i>	6.0	6.5%	6.8	6.1%
<i>Japan</i>	5.2	5.7%	6.1	5.5%
<i>Germany</i>	6.0	6.5%	6.0	5.4%
<i>Italy</i>	4.3	4.6%	4.4	3.9%
<i>Total EU</i>	39.0	42.4%	43.5	39.1%
<i>Source: Derived from IMF <u>Directions of Trade Statistics Yearbook</u>, 2004</i>				

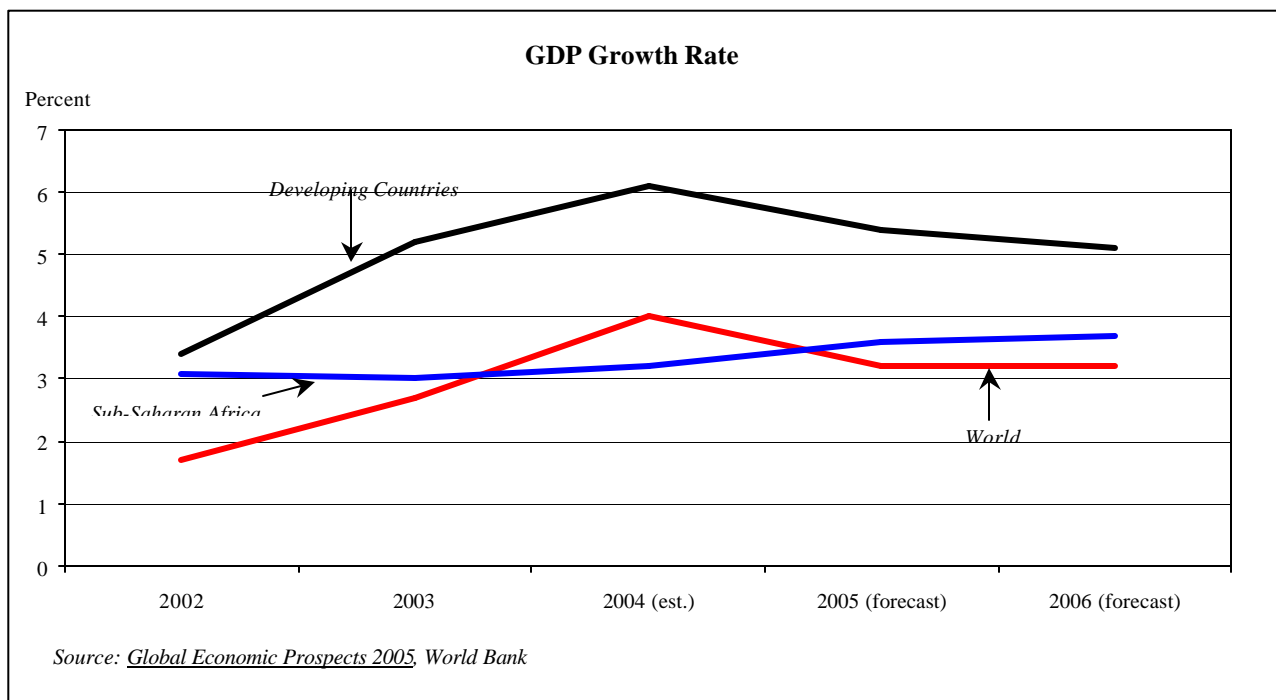
- The U.S. market share in Sub-Saharan Africa decreased in 2003 to 6.1 percent, from 6.9 percent in 2002, as global competition increased.
- The market share of all major industrial countries declined from 2002 to 2003.
- The market share of the EU as a whole also decreased to 36.2 percent.
- Non-traditional trading partners maintained their share of the African market. South Africa continued to export more than Italy or Japan to Sub-Saharan Africa, with exports to the region of \$5 billion in 2003.

- China also continued to be a major supplier to Sub-Saharan Africa, with exports of \$7.5 billion in 2003. China increased its share of the African market from 5.8 percent in 2002 to 6.7 percent in 2003. China experienced a 48 percent increase in shipments from 2002 spurred by increases in electrical and other machinery, woven fabrics, motorcycles, and low-end footwear.

### **Africa's Economic Growth**

According to the World Bank<sup>2</sup>, the world economy expanded at a moderate rate in 2004, with an estimated four percent growth. Economic recovery in developing countries actually preceded rather than followed recovery in high-income countries. Several large developing countries experienced very high growth, such as China with 8.8 percent, Russia with eight percent, and India with six percent. Developing countries as a group grew by an estimated 6.1 percent in 2004.

In 2004, Sub-Saharan African economies grew by an estimated 3.2 percent, which was much faster than in the 1990s, but slightly below the world average. As a result, the income gap increased between Sub-Saharan African countries and both developed and other developing countries.



Country performance within Sub-Saharan Africa was mixed. Oil exporting countries enjoyed a modest growth estimated at 4.4 percent in 2004, fueled by high world oil prices. While GDP in oil importing countries grew by an estimated three percent, higher oil prices had a negative effect on the balance of trade in these countries. Higher agricultural commodity and metal prices, which drive the economies of many of the non-oil countries, were not enough to offset the higher oil prices.

Because the South African economy accounts for almost 50 percent of GDP in Sub-Saharan Africa, sluggish economic growth in South Africa pulled regional growth down. With a 40 percent appreciation of the South African rand since 2002, South African

<sup>2</sup> *Global Economic Prospects 2005* (Washington, DC: World Bank, November 2004).

exports were weak and imports strong, resulting in an estimated GDP growth rate in 2004 of 2.7 percent. Excluding South Africa, Sub-Saharan Africa growth was an estimated 3.6 percent in 2004. Political and natural events directly affected growth in other countries. For example, improved weather conditions in Ethiopia, Malawi and Rwanda improved agricultural production, helping to increase growth; an increase in political stability in Burundi, the Central African Republic, and Madagascar helped spur economic growth; and continuing political insecurity in Zimbabwe and increasing instability in Côte d'Ivoire have hindered economic growth.

The World Bank projects higher growth rates in Sub-Saharan Africa with growth rising to 3.7 percent by 2006. This growth projection, however, remains tenuous, with many of the economies vulnerable to natural disasters, political instability, volatile energy prices, limited infrastructure and human capital, and the HIV/AIDS epidemic. Unless Sub-Saharan Africa's growth can accelerate further, the World Bank does not expect that the region will meet its Millennium Development Goals (which include halving the number of people living on less than \$1 a day) by 2015.

### **The HIV/AIDS Pandemic**

**Overview of the HIV/AIDS Pandemic:**<sup>3</sup> Sub-Saharan Africa faces an enormous challenge due to the HIV/AIDS pandemic, with the devastating potential to wreak havoc on the region's development and socioeconomic structure. According to the UNAIDS/World Health Organization (WHO) *AIDS Epidemic Update – December 2004*, in 2004, 25.4 million people in Sub-Saharan Africa are living with HIV, 3.1 million people became newly infected, and 2.3 million died of AIDS.

- Approximately 64 percent of all people worldwide living with HIV and 76 percent of all women living with HIV are in Sub-Saharan Africa.
- Life expectancy has fallen below 40 years in nine African countries that have been severely affected by AIDS – Botswana, Central African Republic, Lesotho, Malawi, Mozambique, Rwanda, Swaziland, Zambia, and Zimbabwe.
- The epidemic in Sub-Saharan Africa is particularly acute among women and girls who make up almost 57 percent of all people infected with HIV in Africa. Seventy-six percent of young people (aged 15 – 24 years) infected with HIV are female.
- While the overall prevalence of HIV/AIDS appears to have remained steady in Sub-Saharan Africa, the epidemic is not necessarily slowing. The figures disguise the fact that the high number of annual, new HIV infections matches the equally high number of deaths from AIDS.

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<sup>3</sup> The source for this section is: *AIDS Epidemic Update – December 2004* (Geneva, Switzerland: UNAIDS/World Health Organization, December 2004).

- HIV prevalence rates vary widely across the continent and the epidemics in different regions and countries vary in intensity, pace and impact. Strategies for prevention, treatment and care, therefore, need to reflect local conditions and will vary among countries and regions.

On a positive note, awareness of the pandemic is continuing to increase in the region through both African government and international support. Over the last few years, there has been a massive increase in global funding to combat HIV/AIDS, growing from about \$2.1 billion in 2001 to approximately \$6.1 billion in 2004. While a large percentage of these funds have been directed towards African countries, these funds will need to be combined with coherent, national HIV/AIDS policies and locally based, effective treatment, prevention, and education programs to eradicate the epidemic over the long-term.

**Economic Impact of the HIV/AIDS Pandemic:** The HIV/AIDS pandemic is negatively affecting the economies in Africa at all levels. HIV/AIDS has a direct negative impact on households and individuals; adversely affects the productive capacity of the economy; and places a constraint on government finances.<sup>4</sup> Several studies have predicted declines in economic growth of 1.0 to 1.5 percent for countries with a high prevalence of HIV/AIDS.<sup>5</sup> Even more telling are studies predicting large negative welfare effects of HIV/AIDS. One study shows the decline in the Human Development Index (HDI) as a result of HIV/AIDS. As developed by the United Nations Development Program, HDI ranges from zero to one and equally weights educational attainment, income per capita, and life expectancy at birth. For example, while Botswana's HDI in 2001 was 0.57 (with 1.0 being the highest), it would have been 0.77 in the absence of HIV/AIDS; Mozambique's HDI was 0.39, but would have been 0.48; South Africa's HDI was 0.68, but would have been 0.77; and Swaziland's HDI was 0.58, but would have been 0.74.<sup>6</sup>

Several studies have examined the impact on companies of HIV/AIDS with the effects including increased absenteeism, decreased labor productivity, lower returns on training, and increases in death related benefits.<sup>7</sup> In a 2004 survey in South Africa, 39 percent of responding companies reported that HIV/AIDS reduced labor productivity or increased absenteeism, and 40 percent of respondents indicated that the epidemic increased their demand for labor due to the need to replace sick workers. While 10 percent of respondents noted an adverse impact on sales, 30 percent expected the epidemic to have an adverse impact in five years.<sup>8</sup>

HIV/AIDS also has the potential to worsen already low human capital accumulation in Africa. The epidemic can reduce the capacity of the educational system to train teachers, and decreases in life expectancy can reduce the likelihood of children pursuing

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<sup>4</sup> Markus Haacker, "HIV/AIDS: Impact on the Social Fabric and the Economy" in *The Macroeconomics of HIV/AIDS*, ed. Markus Haacker, 91 (Washington, DC: International Monetary Fund, November 2004).

<sup>5</sup> Haacker, "HIV/AIDS: Impact on the Social Fabric and the Economy," 71.

<sup>6</sup> Haacker, "HIV/AIDS: Impact on the Social Fabric and the Economy," 88.

<sup>7</sup> Haacker, "HIV/AIDS: Impact on the Social Fabric and the Economy," 50-51.

<sup>8</sup> Haacker, "HIV/AIDS: Impact on the Social Fabric and the Economy," 57-58.

education.<sup>9</sup> The negative effect on government finances can also be large with HIV/AIDS causing increases in personnel costs and social expenditures on health and other related services, decreases in the efficiency of public services, and a decline in tax revenue with an erosion of the tax base.<sup>10</sup> This spending diverts funds away from education, infrastructure, and other public services.

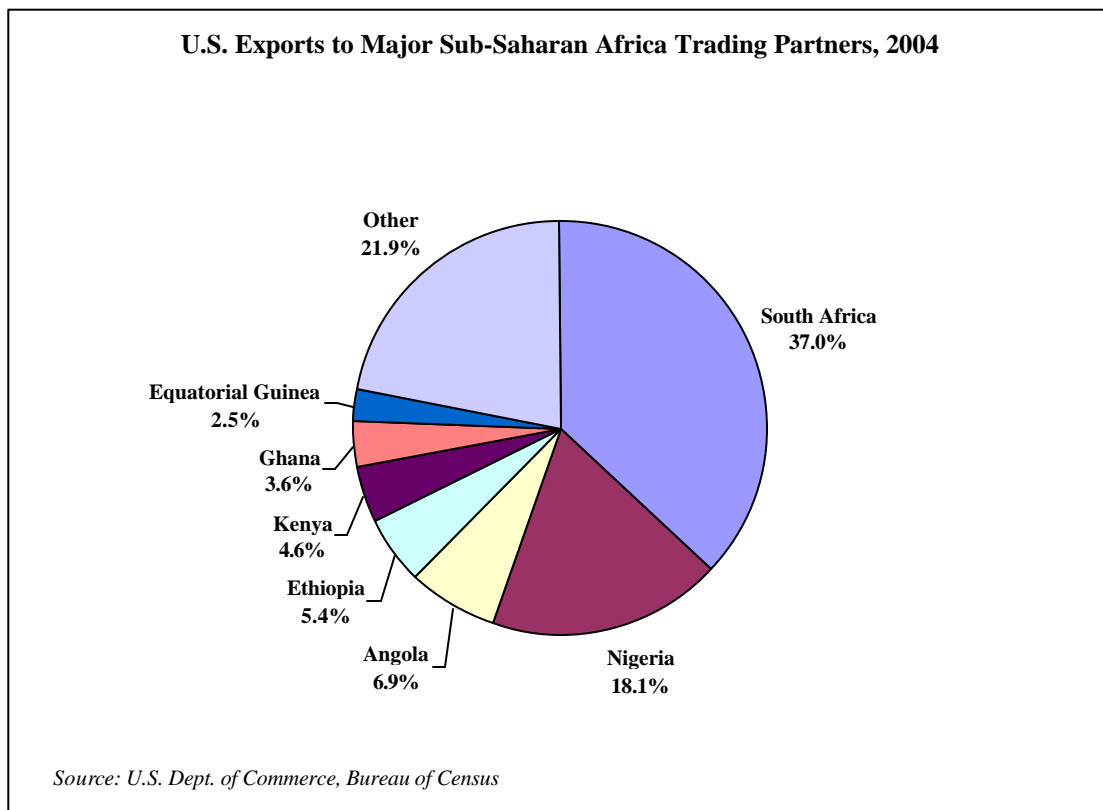
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<sup>9</sup> Nancy Birdsall and Amar Hamoudi, “AIDS and the Accumulation of Human Capital in Africa” in *The Macroeconomics of HIV/AIDS*, ed. Markus Haacker, 161-162 (Washington, DC: International Monetary Fund, November 2004).

<sup>10</sup> Markus Haacker, “The Impact of HIV/AIDS on Government Finance and Public Services” in *The Macroeconomics of HIV/AIDS*, ed. Markus Haacker, 198-258 (Washington, DC: International Monetary Fund, November 2004).

### **Leading U.S. Export Markets in Sub-Saharan Africa**

U.S. exports to Sub-Saharan Africa remained highly concentrated among a small number of countries. The top three markets – South Africa, Nigeria, and Angola – accounted for 62 percent of U.S. sales in 2004, with South Africa claiming 37 percent, Nigeria 18.1 percent, and Angola 6.9 percent. Growth in U.S. exports to Nigeria, driven by increases in U.S. exports of oil field machinery, outpaced U.S. exports to South Africa, causing Nigeria's share of U.S. exports to increase and South Africa's share to decrease in 2004. An increase in aircraft sales to Kenya helped increase Kenya's share of U.S. exports, and Equatorial Guinea's share declined as U.S. sales of oil field machinery and parts to the country dropped off in 2004.



### **Leading U.S. Exports to Sub-Saharan Africa**

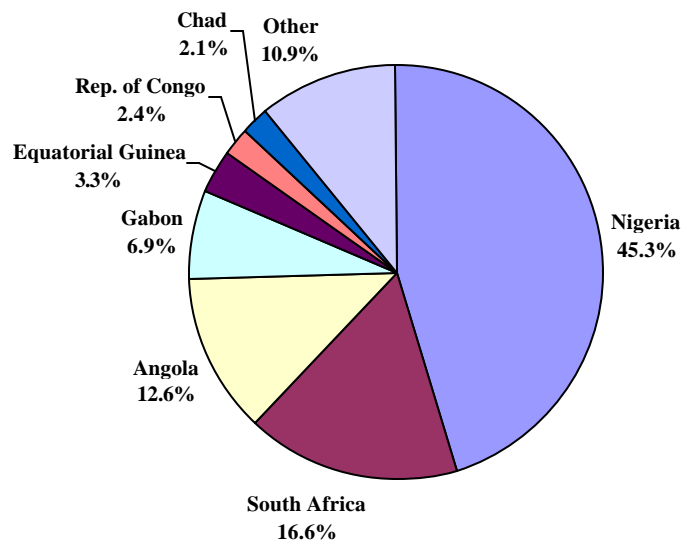
U.S. exports to Sub-Saharan Africa in 2004 remained concentrated in aircraft, infrastructure related machinery, motor vehicles, and agricultural commodities. The top three U.S. exports in 2004 were aircraft and parts accounting for 12.2 percent of exports, oil and gas field machinery and equipment 11.2 percent, and oil seeds and grains 9.3 percent. Other leading export categories included: motor vehicles; construction and general purpose machinery; grain and oilseed milling products; industrial chemicals; communications equipment; navigational, measuring, electromedical and control instruments; and computer and peripheral equipment.

<i>Leading U.S. Exports to Sub-Saharan Africa</i>	
<i>Item</i>	<i>2004 Export Value (\$ Millions)</i>
<i>Aircraft and Parts</i>	<i>1,040.8</i>
<i>Oil and Gas Field Machinery &amp; Equipment</i>	<i>963.1</i>
<i>Oilseeds and Grains</i>	<i>799.4</i>
<i>Motor Vehicles</i>	<i>489.2</i>
<i>Construction Machinery</i>	<i>293.6</i>
<i>Grain &amp; Oilseed Milling Products</i>	<i>287.4</i>
<i>Industrial Chemicals</i>	<i>275.7</i>
<i>Communications Equipment</i>	<i>243.6</i>
<i>Other General Purpose Machinery <sup>1</sup></i>	<i>240.3</i>
<i>Navigational, Measuring, Electromedical &amp; Control Instruments</i>	<i>208.0</i>
<i>Computer &amp; Peripheral Equipment</i>	<i>198.0</i>
<sup>1</sup> Includes pumping equipment, air and gas compressors, and material handling equipment.	
Source: U.S. International Trade Commission DataWeb	

### **Leading Sub-Saharan African Suppliers to the United States**

U.S. imports from Africa remained highly concentrated among a small number of suppliers, even more so than U.S. exports. Four countries – Nigeria, South Africa, Angola, and Gabon – accounted for 81.4 percent of U.S. purchases in 2004. Three were major crude oil suppliers, while South Africa supplied platinum, diamonds, ferroalloys, and motor vehicles. Large increases of crude oil imports from the Republic of Congo and Chad in 2004 increased their share of U.S. imports from Africa.

**U.S. Imports from Major Sub-Saharan Africa Trading Partners, 2004**



*Source: U.S. Dept. of Commerce, Bureau of Census*

**Leading U.S. Imports from Sub-Saharan Africa**

Oil imports (crude and non-crude) continued to dominate imports from Sub-Saharan Africa with \$26.1 billion in oil imports in 2004, accounting for 72.8 percent of all U.S. purchases. As a result of AGOA, imports of woven and knit apparel remained the second leading U.S. import, accounting for 4.9 percent of purchases. Platinum contributed 4.9 percent, diamonds 2.6 percent, ferroalloys 1.5 percent, cocoa 1.4 percent, and motor vehicles 1.2 percent.

<i>Leading U.S. Imports from Sub-Saharan Africa</i>	
<i>Item</i>	<i>2004 Import Value (\$ Millions)</i>
<i>Oil (Crude and non-Crude)</i>	<i>26,124.9</i>
<i>Woven and Knit Apparel</i>	<i>1,756.9</i>
<i>Platinum</i>	<i>1,746.8</i>
<i>Diamonds</i>	<i>934.6</i>
<i>Ferroalloys</i>	<i>536.5</i>
<i>Cocoa</i>	<i>491.5</i>
<i>Motor Vehicles</i>	<i>423.5</i>
<i>Source: U.S. Dept. of Commerce, Bureau of Census</i>	

### *U.S. Direct Investment in Africa*

While the volume of foreign direct investment (FDI) into Sub-Saharan Africa continues to trail other regions, FDI flows grew in 2003, reversing two years of decline. According to the United Nations *World Investment Report of 2004*, inflows of FDI to Sub-Saharan Africa from all sources in 2003 were \$10.6 billion, which represented a 20 percent increase from 2002 inflows of \$8.9 billion. The *World Investment Report of 2004* attributes the recovery in FDI flows to increases in investment in natural resources and continued liberalization of FDI policies in many African countries (i.e. economic reforms, privatization, and reduction in restrictions on foreign investors). An increase in the number of bilateral investment treaties and double taxation treaties in African countries provided further incentives for FDI. The increase in FDI was also spread more evenly across countries and industries than the previous increase in 2001. Along with increases in natural resources investment, FDI in services (particularly in telecommunications, electricity, management, and trade) rose in 2003.

FDI inflows to the least developed countries (LDCs) of Africa increased by 35 percent in 2003, outpacing the 28 percent growth in FDI inflows to LDCs worldwide. FDI inflows to Sub-Saharan Africa represented 1.9 percent of worldwide FDI inflows in 2003 and 6.2 percent of inflows to developing countries.

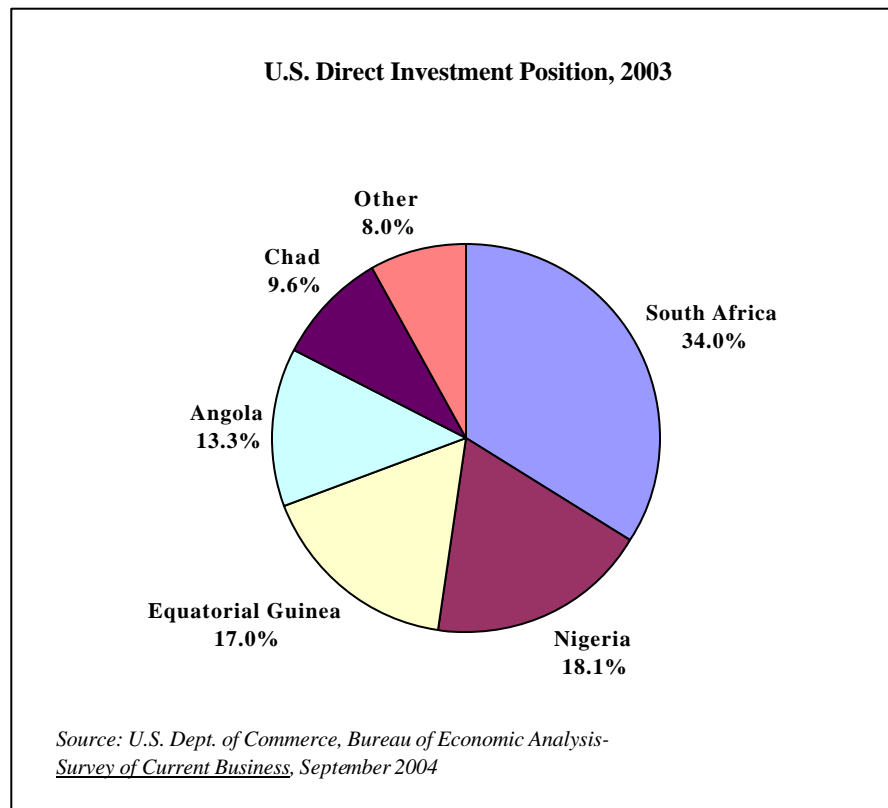
The largest recipients of global FDI inflows included Angola and Equatorial Guinea each with \$1.4 billion, Sudan with \$1.3 billion, Nigeria with \$1.2 billion, Chad with \$837 million, and South Africa with \$762 million. The FDI inflows to these countries were concentrated in the petroleum sector, except for South Africa where the inflows were more diversified. In South Africa, FDI in telecommunications and information technology has outpaced FDI in the mining sector. The *World Investment Report of 2004* projects that FDI flows to Africa will likely increase further in 2004 driven by investment in the natural resources sector, higher economic growth, and improving investor perceptions. Several international programs (i.e. AGOA, the Everything-but-Arms Initiative, the ACP-EU Cotonou agreements, and the New Partnership for Africa's Development (NEPAD)) could also increase FDI flows to African countries.

At year-end 2003, the U.S. direct investment position<sup>11</sup> in Sub-Saharan Africa was \$11.5 billion, 18.7 percent above the position at year-end 2002. Significant increases in the investment position in Equatorial Guinea and Chad and smaller increases in South Africa, Nigeria, and Angola accounted for most of the increase in the U.S direct investment position. (The direct investment position is a measure of the *stock* of FDI, as opposed to *flows*.)

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<sup>11</sup> The U.S. direct investment position is the net book value (i.e. the historical value) of U.S. direct investors' equity in, and net outstanding loans to, their foreign affiliates. A foreign affiliate is a foreign business enterprise in which a single U.S. investor owns at least 10 percent of the voting securities, or the equivalent. The source for the U.S. direct investment position abroad is the *Survey of Current Business*, September 2004 – U.S. Department of Commerce, Bureau of Economic Analysis.

- South Africa (\$3.9 billion), Nigeria (\$2.1 billion), Equatorial Guinea (\$1.9 billion), Angola (\$1.5 billion), and Chad (\$1.1 billion) combined to account for 92 percent of the U.S. direct investment position in Sub-Saharan Africa.
- Sub-Saharan Africa accounts for less than one percent of the U.S. direct investment position worldwide.



According to the July 2004 *Survey of Current Business* (U.S. Department of Commerce, Bureau of Economic Analysis), U.S. affiliated companies in Africa in 2002 reported estimated total assets of \$56.2 billion, including \$9.5 billion in Nigeria and \$7.5 billion in South Africa. U.S. affiliates in Africa attained worldwide sales of \$29.5 billion, and net income of \$1.9 billion.

U.S. direct investment in Africa supports U.S. trade with the region and fuels American industry. In 2002, \$645 million of U.S. merchandise exports were shipped to U.S. affiliates in Africa. The United States imported nearly \$5 billion of goods from U.S. affiliates in Africa.<sup>12</sup>

<sup>12</sup> Figures for foreign affiliates include data for Libya, Tunisia and Morocco. The *Survey of Current Business* lists Egypt, Nigeria and South Africa separately, but totals the rest of Africa (including North Africa) together.